

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact (Section 2-7-71)

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**Date:** April 11, 2005

**Bill Number:** H. 3652

**Authors:** W.D. Smith, Vaughn, Merrill, Loftis, Tripp, *et. al.*

**Committee Requesting Impact:**  
Ways & Means

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, to enact the "South Carolina Put Parents in Charge Act" by adding Chapter 18 to Title 12, Code of Laws of South Carolina, 1976, so as to provide credits for certain taxes and license fees for tuition paid to public or independent schools, to provide credits for certain taxes and license fees for contributions to scholarship granting organizations, to provide for the regulation, registration, and reporting of scholarship granting organizations, and to provide for reporting and accountability of the implementation of this Chapter.

### REVENUE IMPACT<sup>1/</sup>

This bill is expected to reduce General Fund income tax, corporate license fee, and insurance premium tax revenues by \$29,036,032 in FY 2006-07, \$62,123,068 in FY 2007-08, \$106,798,849 in FY 2008-09, \$171,523,089 in FY 2009-10, and \$231,590,070 in FY 2010-11.

### Explanation

This bill creates tuition tax credits for tuition paid to public or independent schools and scholarship tax credits for contributions to scholarship granting organizations beginning in FY 2006-07. The proposed credits may not exceed the lesser of 80% of tuition paid or 51% of all state appropriations for K-12 operations on a per pupil basis, which is expected to total \$4,810 in FY 2006-07. These appropriations are expected to grow at 3% annually. Tax credits claimed may exceed these limits for students that qualify for free or reduced priced meals or free milk and handicapped students as specified in the bill. Based on current classifications, we expect that parents of 80% of the students eligible for the credit will receive a tuition tax credit based on 51% of the average state per pupil expenditure and the remaining 20% of parents would receive an increased credit based on 100% of the average state per pupil expenditure due to free or reduced priced meal eligibility or a handicapped classification. Tax credits for contributions to scholarship granting organizations are for 100% of the contribution; however, scholarship granting organizations would be constrained as to the amount of their scholarship awards by the same restrictions imposed on the tuition tax credit. We estimate that expenditures on home school students will not reach the full credits allowed in this bill and their yearly expenses would be \$750, \$1,250, and \$1,750 per student for the lower, middle and upper grades, respectively. The credits have two phase-in restrictions. Students that attend non-public schools as of October 1, 2004 are not eligible until tax year 2008. Public school students in K-4 are eligible in tax year 2006, K-6 in tax year 2007, K-8 in tax year 2008, K-10 in tax year 2009, and all students in public and non-public schools are eligible in tax year 2010. It is estimated for FY 2006-07, with the phase-in restrictions, the tuition and scholarship tax credits will be claimed on 3,790 students currently in public schools, 2,021 home-school students, 6,713 private school students, and 136 students that are in-migrants, or not currently residing in South Carolina. These estimated 12,661 students will generate tuition tax credits of \$12,437,875. Based on actual experience in Arizona and Florida, we expect donations to scholarship granting organizations for scholarship tax credits to total \$16,598,157. The total revenue reduction is expected to be \$29,036,032 in FY 2006-07. By FY 2010-11, we anticipate that 77,253 students, 10,071 from public schools, 16,198 from home schools, 50,824 from private schools, and 160 in-migrants to claim \$145,392,616 in tuition tax credits. Contributions from individuals and corporation to scholarship granting organizations are expected to create scholarship tax credits that total \$86,197,454, for a total revenue reduction of \$231,590,070 in that fiscal year.

/s/ William C. Gillespie, Ph.D  
William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Shuford

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA.